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Rewald associate confesses to fraud

By Walter Wright
Advertiser Staff Writer

Sunlin L.S. "Sunny" Wong confessed in federal court yesterday that he helped run Bishop Baldwin Rewald Dillingham & Wong as a "ponzi scheme" to defraud 400 investors of \$22 million.

Wong, 35, former president of the bankrupt firm, was indicted yesterday on one count each of mail and securities fraud. He promptly entered a plea of guilty to both counts and agreed to testify against everyone else involved.

He faces up to 10 years in federal prison and \$11,000 in fines at sentencing July 23. The government promised it would bring no more charges against Wong in connection with the scheme.

His indictment and plea bargain are the first results of a massive investigation by the FBI and the IRS under way since the collapse of the company following a July 29 suicide attempt by board chairman Ronald Rewald.

Wong was president, secretary and a director of the firm and, like Rewald, a 50 percent stockholder.

The 22-page indictment said the company invested only \$630,000 of investors' money and diverted the rest to Rewald's "lavish lifestyle." Wong's \$100,000-a-year salary and payment of salaries and "interest" to create a "false facade of legitimate investment activity."

The indictment said Wong and Rewald engaged in activities that gave the appearance of substantial investment activity,

"when in fact the actual investment of investors' money was virtually non-existent."

Yesterday's action did not charge Rewald.

U.S. Attorney Daniel Bent, asked why Rewald wasn't charged, said that "an investigation is continuing." Wong's cooperation was nailed down yesterday.

Rewald, already facing state charges of theft in connection with the operation, is free on bond and in San Francisco looking for a job. He could not be reached for comment last night.

Rewald's defense attorney in the state case, Sam King Jr., called the federal plea bargain a "juice job," and questioned whether any jury will believe Wong now that he is a confessed swindler.

The government said Rewald used Wong's name and business reputation to attract investors to the company as part of a scheme to defraud.

As part of the scheme, the government charged, Wong helped use the historic Hawaii names of Bishop, Baldwin and Dillingham as part of the enterprise in order to "reinforce their false assertion that BBRD&W was 'one of Hawaii's oldest and largest privately held international investment and consulting firms . . . with predecessor firms going back 65 years . . .'"

To lull investors into a false sense of security, the government said, Wong and others allowed some to withdraw money that had been received from other investors.

The indictment made no reference to Rewald's claim that the company was set up and run by the CIA — a claim the government has denied.

The company apparently did provide "commercial cover" to at least one CIA agent in the form of stationery and telephone services, for which it received about \$3,000 in reimbursement from the CIA.

Bankruptcy controller Thomas Hayes said yesterday the federal charges bear out his view that the CIA connection doesn't explain or excuse the loss of millions of dollars of investor money.

He said he hoped that the federal charges "will chill some of the unnecessary speculation surrounding this case and allow people to reflect on the circumstances in a more factual environment."

In August, Wong, a real estate broker who met Rewald in 1977, told a bankruptcy hearing that he didn't know where the money was going. Yesterday he confessed to willfully and knowingly trying to swindle the investors.

"Did you know you were involved in a scheme to defraud investors?" visiting U.S. District Judge A. Wallace Tashima asked.

"Yes, your honor," Wong responded.

Assistant U.S. Attorney John F. Peyton Jr., who has been handling the case, told Tashima that interviews with almost everyone who ever invested in Bishop Baldwin proved some of them relied on false statements Wong and others made about the company.

With Bent and Peyton in court yesterday was Special Assistant U.S. Attorney Theodore S. Greenberg, on loan from the U.S. attorney's office in Alexandria, Va., where Greenberg successfully prosecuted former CIA agent Edwin Wilson for smuggling arms to Libyan officials.

Also assisting in the case was Department of Justice attorney David Katz, who outlined the plea agree-

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ment with Wong.

The indictment against Wong was returned by a federal grand jury at 1:40 p.m. yesterday.

Wong, wearing a light tan suit and carrying a red leather briefcase, turned himself in an hour later at the U.S. attorney's office.

Accompanied by attorney Kevin Chang, Wong appeared relaxed and was amiable but refused to talk about the case.

"I won't be making any comment at all, before or after," he told reporters. "I don't want to waste your time."

As part of the agreement, he was released on his own recognizance, without bond, until he is sentenced.

The indictment gave the government's version of how Bishop Baldwin obtained money from investors in Hawaii, in California and throughout the world. The investors included housewives, widows, generals, doctors and even a handful of CIA personnel, active and retired.

As part of the scheme, the government said, Wong and others said that funds became part of an investment pool for high-yield, short-

term investments and that investors would always have access to their funds.

The company, the government said, offered "investment saving accounts" guaranteeing a 20 percent return and claimed that the firm had been around for 20 years and averaged a 26 percent return on its accounts during that time.

Bishop Baldwin also falsely claimed that deposits were insured to \$150,000 by the Federal Deposit Insurance Corp., the government said.

Wong and others also assured investors they could defer taxes on interest earned in the accounts so long as they didn't withdraw it.

As part of the scheme, the firm obtained an opinion letter from a tax consultant saying earnings on "corporate rollover accounts" would not be subject to taxes until withdrawn.

Wong and others also claimed that Price Waterhouse audited the company but, the government said, the audit was non-existent. Wong and others sent investors "lulling letters" indicating payments to their accounts of 20 to 26 percent inter-

est, when in fact no interest was paid, the government said.

To further lull investors, Wong and others mailed them copies of articles published in the Hawaii Chamber of Commerce's newspaper, Voice of Business, and in Pacific Business News. The Chamber of Commerce reported in April 1983, without attribution, that Bishop Baldwin "has been in Hawaii for more than two decades parlaying its business acumen into a network of offices and consultants with global resources and influence."

Pacific Business News reported in May 1983 that Bishop Baldwin "is an international financial consulting firm headquartered in Honolulu" and had served as consultant to numerous corporations and government agencies. The indictment said the company falsely claimed it gave business advice to the U.S. Senate, the House of Representatives, the White House, ex-presidents and "Saudi Arabian princes."

The two counts against Wong specifically involved letters he mailed to investors Benjamin A. Cassidy and Lynn Mari Viveiros of Honolulu in April and May 1983. ✓